

Message Text

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ACTION ARA-10

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FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC 2163

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

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E.O. 11652: N/A

TAGS: EINV, ECON, ES

SUBJECT: STATUS OF DRAFT INSURANCE LAW

REF: SAN SALVADOR 3914

1. SUMMARY: MINECON ROZLES TOLD DCM THAT DRAFT LAW REQUIREMENT FOR SALVADORAN EQUITY PARTICIPATION IN INSURANCE COMPANIES WOULD BE LOWERED. DRAFT LAW STILL IN PRESIDENT'S OFFICE AND NEW VERSION, STILL NOT PUBLIC, HAS BEEN PREPARED.

2. MINISTER OF ECONOMY ROBLES TOLD DCM EVENING OF SEPTEMBER 7 THAT HE HAD RECEIVED MEMO FROM MINISTER OF FOREIGN AFFAIRS REGARDING DRAFT INSURANCE LAW. ROBLES SAID HE WAS NOW RECONSIDERING EQUITY REQUIREMENTS OF DRAFT AND THAT PERCENT OF SALVADORAN PARTICIPATION REQUIRED WOULD BE LOWERED. WHILE EMPHASIZING USG NOT RECOMMENDING "GRANDFATHER CLAUSE" AS SOLUTION, DCM EXPLAINED THAT U.S. COMPANIES, AS HE UNDERSTOOD THEIR POSITION, WOULD PREFER LIMITED OFFICIAL USE

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"GRANDFATHER CLAUSE" WHICH WOULD ALLOW THEM TO CONTINUE

TO OPERATE UNDER SAME CONDITIONS AS NOW. ROBLES INSISTED THAT PROVISIONS FOR FOREIGN INSURANCE COMPANIES CONTEMPLATED IN DRAFT LAW WERE SAME AS THOSE PROVIDED IN BANKING LAW, THUS BANKING LAW PROVIDED PRECEDENT. COMMENT: ROBLES IS CONFUSED OR DISINGENUOUS ON THIS POINT. BANKING LAW (LEY DE INSTITUCIONES DE CREDITO Y ORGANIZACIONES AUXILIARES) PROVIDES SPECIFICALLY FOR OPERATION OF FOREIGN CREDIT INSTITUTIONS, WITH NO DOMESTIC CAPITAL INPUT, UNDER CERTAIN RESTRICTIONS;; NOTABLY A PROHIBITION ON ACCEPTANCE OF CHECKING AND SAVINGS ACCOUNTS. ART 252 OF BANKING LAW PROVIDES INTER ALIA THAT FOREIGN BANKS ACCEPTING SUCH ACCOUNTS AT TIME LAW WENT INTO EFFECT WOULD BE ALLOWED TO CONTINUE SUCH OPERATIONS, THUS PROVIDING PRECEDENT FOR A "GRAND-FATHER CLAUSE".

3. MEANWHILE, DRAFT LAW REMAINS IN PRESIDENT'S OFFICE, AND FOURTH VERSION HAS REPORTEDLY BEEN PREPARED. DELEGATION FROM ASSOCIATION OF INSURANCE COMPANIES, INCLUDING LOCAL HANOVER REP, MET WITH MINISTR OF PRESIDENCY SILV- SEPTEMBER 8 AND REQUESTED COPY OF NEW VERSION. THIS MAY BE MADE AVAILABLE WEEK OF SEMPTEMBER 13. HANOVER REP SAID HE NO LONGER TRUSTS INSURANCE ASSOCIATION TO REPRESENT ASNTERESTS OF FOREIGN FIRMS AND WENT SO FAR AS TO SAY HE SUSPECTED MEMBER OF ASSOCIATION MIGHT BE PRIVATELY URGING GOES OFFICIALS TO RETAIN PROVISIONS PROHIBITING OPERATION OF SUCH FIRMS.

4. U.S. FIRMS HAVE USED DIFFERENT TACTICS IN LOBBYING AGAINST DRAFT LAW. WHILE HANOVER HAS APPARENTLY RELIED ON INSURANCE ASSOCIATION, PAN AMERICAN REP INDICATED SOME TIME AGO HE DID NOT TRUST ASSOCIATION TO REPRESENT INTERESTS OF FOREIGN COMPANIES. PAN AMERICAN HAS MADE REPRESENTATIONS TO HIGH-LEVEL GOES OFFICIALS (NOTABLY PRESIDENT OF CENTRAL BANK AND MINISTER OF PLANNING) IN EFFORT, APPARENTLY UNSUCCESSFUL TO DATE, TO OBTAIN SUPPORT FOR THEIR POINT OF VIEW. ACCORDING TO ROBLES, FOREIGN COMPANIES DI NOT COME TO HIM.
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